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History of Limited Market Value

This information brief presents an historical review of legislative efforts to artificially limit the market value increases on property for property taxation.

Over the past 25 years, the legislature has been confronted with the problem of escalating property values and their effect on property taxes. Although the pleas for relief have come primarily from homeowners, owners of recreational property, farms, and even businesses have also voiced concern. The legislature twice has adopted limited market value (LMV) to address this problem—once in the 1970s and again in the 1990s. LMV limits the amount by which a property's market value may grow for purposes of property taxation from one year to the next. It was designed to mitigate rising property taxes which resulted from rapidly inflating property values.

In January 1979, the Tax Court held LMV unconstitutional. The 1979 Legislature, partially in response to the Tax Court decision, eliminated LMV by phasing it out over a two-year period. In September 1980, the Minnesota Supreme Court upheld the constitutionality of the law and reversed the Tax Court's decision, even though the legislature had already repealed the provisions. The U.S. Supreme Court upheld similar limits in a 1992 California case.

This information brief presents an historical review of legislative efforts since 1973 to limit market value, focusing on the percentage limits, the duration of the limits, and the types of property to which the limits have applied, for each year that some type of LMV law was in effect.

Also included is a table on page 4 which compares the growth in the consumer price index each year to the statewide average growth in market value of residential homesteads.

A History of Minnesota's Limited Market Value Legislation

Assessment Year	Property Types	Limit Provisions	Special Provisions	Annual Inflation Rate*	Average Estimated Market Value Growth**	Law/Reference
1973	Residential, agricultural, and temporary or seasonal residences used for recreation.	Limit of 5% of previous assessment, excess was added to future assessments.	Limitation applied to old owners or spouse of previous owner or joint tenant.	6.0%	N/A	1973, chapter 650, article 23, sections 1-4
1974	Residential, agricultural, and temporary or seasonal residences used for recreation.	Limit of 5% of previous assessment, excess was added to future assessments.	Applied to all owners.	11.5%	N/A	1974, chapter 556, section 14
1975	All Property	Limit of 10% of the previous assessment or 1/4 of the increase in valuation, whichever was greater.	Applied to all owners.	8.5%	19.8%	1975, chapter 437, article 8, sections 4-6
1976	All Property	Limit of 10% of the previous assessment or 1/4 of the increase in valuation, whichever was greater.	Residential, agricultural, seasonal, and temporary property that was not subject to assessment limitations in 1973 or 1974 were set at the average percent of market value used for the respective class of property.	6.2%	10.9%	1976, chapter 345, section 1
1977 and 1978	All Property	Limit of 10% of the previous assessment or 1/4 of the increase in valuation, whichever was greater.	If the assessment increase was between 10% and 20%, the excess was entered the following year. If the assessment increase was between 20% and 40%, 10% was entered each subsequent year until less than 10% remains which was then added the following year.	7.9%	13.3%	1977, chapter 423, article 4, section 4
				9.1%	14.9%	
1979	All Property	Limit of 10% of the previous assessment or 1/2 of the increase in valuation, whichever is greater.	Limit abolished for 1980.	11.5%	18.1%	1979, chapter 303, article 2, section 7
NO PROVISIONS IN YEARS 1980 THROUGH 1992						
1993	Residential, agricultural, and temporary or seasonal residences used for recreation.	Limit of 10% of the previous assessment or 1/3 of the increase in valuation, whichever was greater.	Expires after 1998 assessment.	3.2%	3.7%	1993, chapter 375, article 5, sections 8-13
1994, 1995, and 1996	Residential, agricultural, and temporary or seasonal residences used for recreation.	Limit of 10% of the previous assessment or 1/3 of the increase in valuation, whichever was greater.	Expires after 1997 assessment.	3.4%	5.1%	1994, chapter 587, article 5, sections 3-5
				2.4%	6.3%	
				3.25%	5.69%	
1997 and 1998	Residential, agricultural, and temporary or seasonal residences used for recreation.	Limit of 10% of the previous assessment or 1/4 of the increase in valuation, whichever was greater.	Expires after 2001 assessment.	2.27%	5.36%	1997, chapter 231, article 2, section 10
				0.72%	N/A	

* Inflation rate calculated using the change over the previous year's CPI-W for Minneapolis/St. Paul.

** Average growth calculated using change from previous year's homestead property value before any limitations.

Average Homestead Market Values for Assessment Years 1972 Through 1997

Assessment Year	Statewide Average Homestead Market Value		Average Annual Growth in Market Value (Column 2)	Annual Inflation Rate
	Before Limits	After Limits		
1	2	3	4	5
1972	N/A	\$17,300	NA	3.1%
1973	N/A	18,200	N/A	6.0
1974	\$19,200	18,900	N/A	11.5
1975	23,000	20,700	19.8%	8.5
1976	25,500	22,800	10.9	6.2
1977	28,900	24,900	13.3	7.1
1978	33,200	28,000	14.9	9.1
1979	39,200	34,100	18.1	11.5
1980	46,400	46,400	18.5	11.3
1981	51,600	51,600	11.2	12.3
1982	55,100	55,100	6.8	10.0
1983	56,300	56,300	2.1	2.1
1984	57,700	57,700	2.4	3.6
1985	58,800	58,800	1.9	3.8
1986	59,600	59,600	1.3	1.3
1987	62,000	62,000	4.0	0.9
1988	65,500	65,500	5.6	5.2
1989	69,000	69,000	5.4	4.0
1990	71,400	71,400	3.4	3.9
1991	73,400	73,400	2.8	2.6
1992	75,000	75,000	2.2	3.4
1993	77,800	77,400	3.7	3.2
1994	81,800	81,200	5.1	3.4
1995	86,900	86,000	6.3	2.4
1996	91,800	90,800	5.7	3.2
1997	96,800	95,500	5.4	2.3

No statutory limitation in effect in years that are shaded.